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MEMORANDUM FOR: Acting Director of Central Intelligence

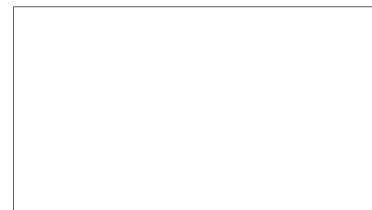
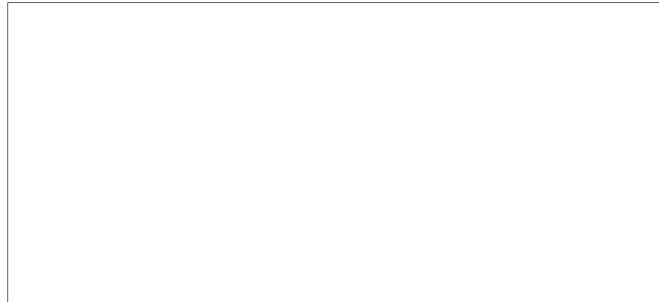
VIA: Director, Intelligence Community Staff
Deputy Director, Intelligence Community Staff
Director, CCISCMS

FROM: STAT
Chief, Unauthorized Disclosure Analysis Center

SUBJECT: Libya - US Pressure
Wall Street Journal 25 August 1986

STAT The memorandum is for your information and requires no action. The attached article attributes to senior US officials and intelligence officials statements that Libya has resumed preparation for terrorist acts and discusses current US strategy for dealing with Libyan intentions. The article has the earmarks of an official disclosure intended to inform Qadhafi that the Reagan administration is prepared to teach him another lesson. UDAC has checked with C/NE, A/NIO/NESA, and EO/NESA and the consensus is that while the Walcott story discusses policy, there appear to be no disclosures of classified intelligence, per se.

Attachment: a/s



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Collision Course

New Signs That Libya Is Plotting Terrorism Bring Quick Response

U.S. Readies Air-Raid Plan, Three-Pronged Program; Naval Maneuvers Begin Looking for a Smoking Gun

By JOHN WALCOTT
And GERALD F. SEIB

Staff Reporters of THE WALL STREET JOURNAL
The U.S. and Libya are on a collision course again.

Although the U.S. air raid on his country last April drove Moammar Gadhafi into the desert for the summer, growing evidence suggests that the bombing hasn't ended Libyan-sponsored terrorism. After a lull, Col. Gadhafi has begun plotting new terrorist attacks, U.S. and West European intelligence officials say. And the Reagan administration is preparing to teach the mercurial Libyan leader another lesson. Right now, the Pentagon is completing plans for a new and larger bombing of Libya in case the president orders it.

Intelligence officials say that although Col. Gadhafi has remained mostly out of sight in the desert recently, he may reappear next Monday, the anniversary of his 1969 revolt against King Idris. The officials say that indications of his involvement have turned up in recent terrorist plots in Cyprus and Berlin. And there are growing signs, these sources say, that Libya is expanding its terrorism planning beyond its embassy-like Libyan Peoples Bureaus. Libyan airline offices, cultural centers and trading companies in Africa, the Mideast and Europe have begun recruiting local thugs to attack American and European diplomats and business people, the sources say.

'Off His Rocker'

"We know the Libyans have forgotten the lesson they learned last April," a senior U.S. official says. Another top official puts the administration view of Col. Gadhafi more bluntly: Mr. Gadhafi "seems to have gone off his rocker again," he says.

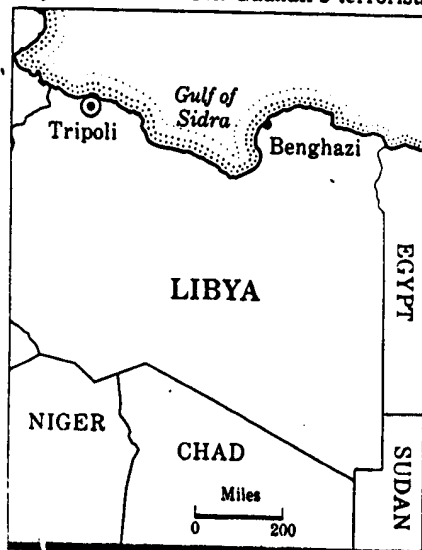
Officials at Libya's mission to the United Nations couldn't be reached for comment.

In response to the new evidence, the U.S. has prepared a three-pronged program of military, covert and economic actions. Senior U.S. officials say these plans are intended to preempt more Libyan-sponsored terrorism, exacerbate growing political and economic tensions in Libya, and remind Col. Gadhafi and his inner circle that promoting terrorism may be hazardous to their health.

Joint Exercises

The first prong is military. The U.S. Navy and the Egyptian air force have begun a series of joint exercises off Egypt, and U.S. forces are expected to exercise off Libya as well. The Navy calls the maneuvers routine. But administration officials say that they are intended to keep the Libyans off balance and to assemble forces in case a quick, punishing strike at Libya is needed. Such a strike, officials say, could include Libyan oil terminals and other economic targets; a Libyan official was warned recently that the U.S. will "rubble-ize" parts of the Libyan economy if Col. Gadhafi doesn't drop his terrorist plotting.

U.S. officials say that this time, they may not wait for Col. Gadhafi's terrorists



to strike first; conclusive evidence that the Libyans have hatched new terrorist plots could be enough to trigger a new U.S. raid. The U.S. is also contemplating possible joint action with France to drive Libyan troops out of Chad, Libya's southern neighbor, U.S. and diplomatic sources say.

The second element of the U.S. strategy is covert action. A Central Intelligence Agency assessment of the situation in Libya, completed earlier this month, has concluded that opposition to Col. Gadhafi within Libya is on the rise. The CIA is stepping up its support for dissident military officers, businessmen and technocrats inside Libya and for Libyan exiles who want to oust Col. Gadhafi.

Finally, the administration plans to send a high-ranking official to Europe soon to seek European cooperation in tightening the economic and political sanctions against Libya adopted last spring by the Common Market and by the Tokyo economic summit. The envoy will tell the Europeans that the administration is studying how it could bar subsidiaries of U.S. companies from doing business with Libya.

The previous economic sanctions haven't had much impact. Nevertheless, the envoy will also argue that the West should take new collective actions, includ-

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ing closing Libya's remaining Peoples Bureaus; shutting down offices of Libyan Arab Airlines, the official Libyan trading company Litarco and front organizations such as commercial enterprises and Col. Gadhafi's Islamic Call and Friendship societies (whose bank accounts the U.S. wants to freeze); boycotting Libyan oil; and barring the sale of all arms spare parts and "sophisticated equipment" to Libya. Such moves might make another controversial attack on Libya unnecessary, senior U.S. officials argue.

So far, however, U.S. and West European intelligence sources and others familiar with the situation inside Libya say that neither the pressure from the West nor Col. Gadhafi's troubles at home have stopped him from reviving terrorist schemes abroad. "Gadhafi will keep on going as he started, forever, as long as he lives," says Abdel Hamid Bakoush, a former Libyan prime minister now living in exile in Egypt. "He will take revenge."

"There are increasing signs that he's resumed planning and preparations for terrorist acts," says a senior U.S. official. Once again, intelligence officials say, Col. Gadhafi's targets appear to include U.S. diplomatic and military posts, the offices of American and European firms, and spots where Americans often congregate, including offices of U.S. companies, airports and popular watering holes.

Sniffing out Col. Gadhafi's plots has gotten tougher since April, intelligence sources concede. He no longer conducts most of his terrorist business through his Peoples Bureaus, many of which have been whittled down by expulsions of Libyan diplomats caught fomenting terrorism. And he no longer sends orders to his hit squads through the channels that the U.S. National Security Agency was monitoring early this year.

"He has repaired and realigned his command and control operation and found new ways of doing things," says a U.S. source.

Instead of relying on his Peoples Bureaus, intelligence sources and knowledgeable Arabs say, Mr. Gadhafi has begun using the Libyan airline; the trading company Litarco; some Libyan-owned second-class hotels in Italy and France; and West European banks in which Libya holds interests to recruit, pay and arm terrorists, some of them hired Lebanese and Palestinians.

"Their offices aren't too busy, so they have time for extracurricular activities like recruiting people to attack American embassies and U.S. companies," a U.S. official says.

Intelligence sources say that last week's alleged plot by three Lebanese men to bomb a movie theater or nightclub frequented by U.S. servicemen in West Berlin appears to have been organized by the Libyan Peoples Bureau in East Berlin and by the East Berlin office of a Libyan trading company. The plan was foiled by West Berlin police. Last April's raid on Libya was triggered by a similar attack on a West Berlin discotheque directed by the East Berlin Peoples Bureau.

'No Smoking Gun'

There is also evidence that Libya paid for an Aug. 3 rocket and mortar attack on Britain's Akrotiri Air Base in Cyprus by the United Nasserite Organization, a group that U.S. intelligence believes is linked to Libyan and Syrian-backed Palestinian terrorist Abu Musa. But a U.S. official cautions: "We have no smoking gun and no

captured terrorist who's confessed that the Libyans paid him."

Equally inconclusive is evidence that the Libyans helped orchestrate a bomb plot against the U.S. embassy in the West African nation of Togo, U.S. officials say. Elsewhere in Africa, however, U.S. intelligence sources say, they have more compelling evidence that Mr. Gadhafi is trying to organize hit squads in Zaire, among other places.

Not all of Mr. Gadhafi's recent machinations have gone well. According to Western intelligence sources, the Libyans recently tried to slip a known terrorist into the French Caribbean islands of Guadeloupe and Martinique, where small local independence movements have received some Libyan support. But French officials recognized the man—in part, perhaps, because he had lost several fingers in an earlier terrorist misadventure—and denied him a visa.

U.S. officials readily concede that the April raid on military and terrorist targets in Tripoli and the port city of Benghazi didn't put a stop to Libyan terrorism. But they are convinced that the attack rattled the Libyan leader, bolstered his opponents within Libya and sparked several mutinies in the Libyan military.

Former Libyan Prime Minister Bakoush says that Col. Gadhafi "is more confused than ever. He swallows a lot of pills. He's more frightened. He thinks everybody is against him."

'Under Severe Stress'

"He still is suffering from a very severe imbalance from the raid itself," maintains a knowledgeable senior Arab official. "He is someone who is half-paralyzed. . . . Mentally, he is under severe stress, which is affecting his balance."

U.S. military planners believe that Mr. Gadhafi's ability to defend himself against possible U.S. attacks is no better than it was in April. The Soviet Union, they say, hasn't significantly upgraded Libya's defenses, although it has replaced the radar and other equipment that U.S. planes destroyed and it has installed a few new SA-5 antiaircraft missiles and some new electronic gear that may be somewhat harder for U.S. pilots to jam.

The Soviets also appear to be no more disposed to defend Libya than they were last spring, when Russian vessels pulled out of Tripoli at the first signs of trouble, U.S. analysts say.

After the U.S. raid, these officials say, Mr. Gadhafi's second-in-command, Maj. Abdel Salem Jalloud, who is close to the Soviets, visited Moscow and was told that the Kremlin takes a dim view of his boss's terrorist adventures. And, says a top U.S. official, "Jalloud was left with no misunderstanding about the amount of help Libya would get from Moscow if there was more trouble."

Perhaps the Libyan military's most crippling problem, U.S. analysts say, is its internal divisions, which have worsened since the April bombing. Although reliable intelligence is hard to come by, U.S. officials say several army units apparently mutinied and the air force had to send hired Syrian pilots to crush the rebellions. U.S. officials and Libyan exile leaders believe a number of high-ranking air force and naval officers were executed, fired or reassigned in late April and May.

Despite Mr. Gadhafi's problems, U.S. officials believe that he is still capable of stirring up trouble. The administration has warned the Libyan leader through Libya's U.N. ambassador and other channels that if he doesn't stop plotting terrorist attacks,

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